

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Periodic Reporting
(Proposal Five)

Docket No. RM2018-8

PUBLIC REPRESENTATIVE COMMENTS
(August 29, 2018)

I. INTRODUCTION

The Public Representative hereby provides comments in response to Commission Order No. 4689.¹ In that Order, the Commission established Docket No. RM2018-8 to receive comments from interested persons, including the undersigned Public Representative, that address the Postal Service's petition to change analytical principles related to periodic reporting.² The Postal Service filed the Petition pursuant to 39 C.F.R. § 3050.11. Petition at 1. The Postal Service provided additional information in its Responses to Chairman Information Request Nos. 1 and 2.³

II. SUMMARY OF PROPOSAL FIVE

In Proposal Five, the Postal Service proposes "to change the costing methodology for the treatment of International Inbound letter post products in order to develop separate costs for 1) letter- and flat-shape letter post products, and 2) packet-shape letter post products." Petition at 2.

¹ Notice of Proposed Rulemaking on Analytical Principles Used in Periodic Reporting (Proposal Three), June 27, 2017 (Order No. 3982).

² Petition of the United States Postal Service Requesting Initiation of a Proceeding to Consider a Proposed Change in Analytical Principles (Proposal Five), June 26, 2018 (Petition).

³ Responses of The United States Postal Service to Questions 1-10 of Chairman's Information Request No. 1, July 17, 2018 (Responses to CHIR No. 1) and Responses of The United States Postal Service to Questions 1-6 of Chairman's Information Request No. 2, August 3, 2018 (Responses to CHIR No. 2).

Implementation of the proposal would not affect the International Cost and Revenue Analysis (ICRA) reporting format. However, “the aggregated costs shown on the individual ICRA lines would be the sum of the separately-developed letter/flat-shape and packet-shape costs.” *Id.*

In addition, the Postal Service demonstrates how shape-based settlement expenses will be incorporated into the ICRA for Outbound letter post products.

III. BACKGROUND

Recently, the Universal Postal Union (UPU) implemented shape-based terminal dues rates. Petition at 2. Specifically, there is one combined rate for letter and flat dispatches, and another rate for packet dispatches. There is also a rate for dispatches that are not separated by format (“Mixed”) because for smaller volume designated operators in the target system and designated operators of countries in the terminal dues transition system format separation is not required.

For product-level costs, the change in the UPU rate structure does not necessitate a change in the costing methodology. However, shape-based costs are necessary to evaluate the efficacy of the shape-based rates set by the UPU and to understand year-to-year changes in letter post cost.

IV. COMMENTS

The Public Representative finds that the proposed changes to the ICRA are reasonable and achieve the objective of producing costs that better align with the current UPU letter post rate structure.

In Chairman's information Request No. 2, question 5⁴, the Commission inquired about the "feasibility of distributing dispatch format revenue to item formats based on revenue per piece and revenue per pound for those mail flows for which terminal dues are calculated on a per-item and per-kilogram basis." The Public Representative believes that the proposed methodology would be improved if the per-item and per-kilogram rate elements were reflected in the distribution of dispatch format revenue to item formats, and encourages the Postal Service to pursue incorporating this change.

Lastly, in its Responses to CHIR No. 2, question 4, the Postal Service discusses the inclusion of scanning costs in packet costs. The Postal Service asserts that scanning costs are picked up during the normal sampling process. The Public Representative notes that although she agrees that the normal scanning process likely captures the cost of scanning, the proposed methodology also assumes that the proportion of packets that are scanned is the same for all products. The Postal Service did not explicitly discuss the reasonableness of such an assumption. It is possible that an adjustment to account for differences in scanning level by product would further improve the proposed methodology.

V. CONCLUSION

The Public Representative respectfully submits the foregoing comments for the Commission's consideration.

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⁴ Chairman's Information Request No. 2 and Notice of Filing Under Seal, July 27, 2018